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2013 MAY -6 PM 2:55
U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIF.
LOS ANGELES
BY: *[Signature]*

10 UNITED STATES DISTRICT COURT
11 CENTRAL DISTRICT OF CALIFORNIA

12 SECURITIES AND EXCHANGE
13 COMMISSION,
14 Plaintiff,
15 v.
16 ALVIN R. BROWN, FIRST CHOICE
17 INVESTMENT, INC. and ADVANCED
18 CORPORATE ENTERPRISES, INC.
19 d/b/a A-CORP ENTERPRISES a/k/a
20 DEFENDANT ACORP
21 DEVELOPMENT a/k/a A-CORP
22 INVESTMENT,
23 Defendants.

Case No. CV 13-01629-ABC (VBKx)

RECEIVER'S PRELIMINARY
REPORT, RECOMMENDATIONS
AND REQUEST FOR FURTHER
INSTRUCTIONS FROM THE
COURT

Judge: Hon. Audrey B. Collins
Ctrm.: 680

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1 By order of this Court, on March 7, 2013, Krista Freitag ("Receiver") was
2 appointed temporary receiver for First Choice Investment, Inc. and Advanced
3 Corporate Enterprises, Inc. ("Defendant FCI" & "Defendant ACorp") (collectively,
4 the "Receivership Entities"), and the entities they control and manage, with full
5 powers of an equity receiver over all funds, assets, collateral, premises, choses in
6 action, books, records, papers and other property belonging to, being managed by or
7 in the possession of or control of the Receivership Entities, and was immediately
8 directed to take certain actions as set forth in the Temporary Restraining Order and
9 Order to Show Cause Why a Preliminary Injunction Should Not Be Granted (the
10 "TRO").

11 On March 13, 2013, this Court entered the Order Extending the March 7,
12 2013 Temporary Restraining Order and Continuing Hearing on the Order to Show
13 Cause Why a Preliminary Injunction Should Not Be Granted, whereby the hearing
14 on the Court's March 7, 2013 Order was continued to April 15, 2013 at 10:00 a.m.
15 and the TRO was extended through to 5:00 p.m. on April 15, 2013. On April 8,
16 2013, this Court entered the Consent of Defendant Alvin R. Brown to Entry of
17 Preliminary Injunction and on April 10, 2013, this Court entered the Preliminary
18 Injunction (the "PI"). Hereinafter, the TRO and PI will collectively be referred to as
19 the "Injunction."

20 Pursuant to the Injunction and law governing federal equity receivers, the
21 Receiver has been charged with, among other things, (1) assuming control over the
22 Receivership Entities and their assets, (2) performing an accounting of the assets
23 and financial condition of the Receivership Entities, (3) investigating, locating, and
24 accounting for receivership assets, and (4) preparing reports for the Court.

25 Although the Receiver has obtained some documentation and records from
26 various sources, her document recovery and analysis efforts are preliminary at this
27 early stage of the proceeding. As described more thoroughly below, the documents
28 and records obtained and reviewed to date provide only a partial explanation of the

1 past and present financial condition of the Receivership Entities, including the
2 transactions and business in which they engaged.

3 Due to the volume and nature of the information acquired to date, the short
4 amount of time between receipt of the information and the date of this Report, the
5 age of certain of the matters analyzed, and the need for additional information, this
6 Report is preliminary. Additionally, Defendant Alvin R. Brown is not cooperating
7 with Receiver in her investigation, but rather has invoked his rights against self-
8 incrimination under the Fifth Amendment. This fact has hampered the Receiver's
9 investigation. This Report's contents may need to be materially modified after
10 further investigation and consideration. Although the Receiver, a) has made
11 significant progress in a short period of time, and b) is working to complete her
12 analysis of the accounting and bank records to establish, among other things, where
13 the funds for the Defendant FCI and Defendant ACorp came from and where they
14 went after receipt by Defendant FCI and Defendant ACorp, additional review and
15 analysis remains to be done. Further, in Section VII below, the Receiver sets out her
16 recommendations and request for additional instructions from this Court.

17 I. PROCEDURAL BACKGROUND

18 On March 7, 2013, the Securities and Exchange Commission ("Commission")
19 filed its Complaint against Alvin R. Brown and the Receivership Entities
20 (collectively, "Defendants"). The Commission also filed an Ex Parte Application
21 for Temporary Restraining Order and Orders: (1) Freezing Assets; (2) Appointing a
22 Temporary Receiver Over the Receivership Entities; (3) Prohibiting the Destruction
23 of Documents, (4) Granting Expedited Discovery, and (5) Requiring Accountings;
24 and an Order to Show Cause re Preliminary Injunction and Appointment of a
25 Permanent Receiver. The TRO was entered by the Court on March 7, 2013. The
26 TRO, which is discussed in more detail below, appointed Krista Freitag temporary
27 receiver for the Receivership Entities, and set a hearing on the Order to Show Cause
28 re: Preliminary Injunction and Appointment of a Permanent Receiver for March 18,

1 2013, which was subsequently continued to April 15, 2013. On April 8, 2013, this
2 Court entered the Consent of Defendant Alvin R. Brown to Entry of Preliminary
3 Injunction, and on April 10, 2013, this Court entered the Preliminary Injunction.

4 **II. THE COMPLAINT**

5 To briefly summarize, the Complaint alleges that, in violation of federal
6 securities laws, Defendants (a) committed fraud in the offer and sale of securities,
7 (b) offered and sold securities without being registered with the Commission, and
8 (c) misappropriated and misused offering proceeds. The Complaint alleges that
9 Defendants misled investors by:

- 10 (1) falsely promising 10% annual returns;
- 11 (2) falsely promising a planned initial public offering at the end of 2012 that
12 would net investors 150% of their initial investment;
- 13 (3) falsely representing to attract investors that the offering was registered
14 with the Commission;
- 15 (4) falsely promising high returns and investment safety; and
- 16 (5) enticing existing investors into investing more money through a phoney
17 "re-allocation" program in which an institutional investor would purportedly
18 purchase investor shares at a premium.

19 **III. THE TEMPORARY RESTRAINING ORDER**

20 As noted above, on March 7, 2013, the Court entered the TRO and on April
21 10, 2013, the Court entered the PI. The Injunction, among other things, authorizes,
22 empowers and directs the Receiver to:

- 23 A. "take custody, control, possession, and charge of all funds, assets,
24 collateral, premises . . . and other real or personal property" of the Receivership
25 Entities;
- 26 B. "to have control of, and to be added as the sole authorized signatory for,
27 all accounts" of the Receivership Entities at "any bank, title company, escrow agent,
28 financial institution or brokerage firm . . .";

1 C. "to conduct such investigation and discovery as may be necessary to
2 locate and account for all of the assets of or managed by" the Receivership Entities,
3 "and to engage and employ attorneys, accountants and other persons to assist in such
4 investigation and discovery";

5 D. "to take such action as is necessary and appropriate to preserve and...
6 prevent the dissipation, concealment or disposition of any assets of or managed by"
7 the Receivership Entities;

8 E. "to make an accounting, as soon as practicable, to this Court and the
9 Commission of the assets and financial condition of the Receivership Entities";

10 F. "to make such payments and disbursements from the funds and assets... as
11 may be necessary and advisable in discharging his duties as temporary receiver";

12 G. "to employ attorneys, accountants and others to investigate and, where
13 appropriate, to institute, pursue, and prosecute all claims and causes of action of
14 whatever kind and nature";

15 H. "to have access to and monitor all mail, electronic mail, and video phone"
16 of the Receivership Entities;

17 I. "to operate and control the content of information posted on any Internet
18 website maintained by" the Receivership Entities; and

19 J. "to exercise all the lawful powers of" the Receivership Entities "and their
20 officers, directors, employees, representatives, partners, or persons who exercise
21 similar powers and perform similar duties."

22 TRO, Part VII.

23 IV. SUMMARY OF RECEIVER'S ACTIVITIES

24 A. Control Over Premises and Documents

25 Pursuant to the TRO, the Receiver assumed control of the Receivership
26 Entities on March 8, 2013. The Receiver discovered that the premises located at
27 409 N. Pacific Coast Highway, Suite 700, Redondo Beach, California 90277 and
28 4712 Admiralty Way Suite 912, Marina Del Rey, CA 90292 were Post Office

1 Boxes located at two respective UPS Stores. The Receiver did take possession of
2 both locations on March 8, 2013. The Receiver then proceeded to Defendant Alvin
3 R. Brown's residence located at 240 North Juanita Avenue, Redondo Beach,
4 California, 90277 and found that Defendant Brown conducted business of
5 Defendant FCI and Defendant ACorp out of his residential garage. The Receiver
6 caused all hard drives located in the garage and Defendant Brown's smart phone to
7 be imaged in order to preserve all electronic data. Defendant Brown purported to
8 conduct business for non-defendant entities also out of his garage (e.g., First Choice
9 Energy Partners, LP, Advanced Concepts Enterprises, Inc.). As described below, at
10 the time of the takeover, it was unclear whether Defendant Brown's other entities
11 were in fact "affiliates or subsidiaries" of Defendant FCI or Defendant ACorp
12 within the meaning of the TRO.

13 When Defendant Brown was asked specifically if Defendant FCI and
14 Defendant ACorp conducted business out of any other location, he represented that
15 Defendant FCI and Defendant ACorp did **not** conduct business out of any other
16 location other than his car. However, through monitoring of the mail as per the
17 authority provided in the Injunction, the Receiver discovered an additional office at
18 which Defendant FCI was conducting business, located at 8383 Wilshire Blvd.,
19 Suite 342, Beverly Hills, California 90211. As such, on April 3, 2013, the Receiver
20 took possession of the premises located at 8383 Wilshire Blvd., Suite 342, Beverly
21 Hills, California 90211 (the "Premises"). The Receiver immediately changed the
22 locks to the Premises and the mailbox associated with the Premises.

23 **B. Control of Bank Accounts**

24 As directed by the Injunction, the Receiver caused herself to be added as the
25 sole authorized signatory for all Defendant FCI and Defendant ACorp bank
26 accounts. As reflected on Exhibit A hereto, the bank accounts associated with
27 Defendant FCI and Defendant ACorp had an aggregate balance of \$19,609.06 as of
28 March 7, 2013. Accordingly, at the moment, very little money is available to fund

1 the receivership. Attached hereto as Exhibit B is a matrix prepared by the Receiver
2 showing the EIN's and entity information associated with all bank accounts listed in
3 the Injunction.

4 **C. Business Operations and Accounting Systems**

5 Accounting records turned over for Defendant FCI and Defendant ACorp are
6 incomplete and primarily Quickbooks based. On March 8, 2013, Defendant Brown
7 represented to the Receiver that there was a "disk crash in 2010 and 2012 (which)
8 deleted any other accounting records." Defendant Brown also represented that the
9 tax returns/accounting records were approximately two years behind. The Receiver
10 has been able to obtain certain Defendant ACorp financial records for 2005 through
11 2010 and certain Defendant FCI financial records for 2011 and the first quarter
12 2012, some on paper, some in electronic format. Defendant Brown has not provided
13 additional information regarding financial information of the Receivership Entities,
14 referencing the "disk crash."

15 Due to the dated financial records obtained, other than a) the Defendant FCI
16 and Defendant ACorp investors, and b) the Defendant FCI office lease located in
17 Beverly Hills (as further discussed below), the Receiver is unable to ascertain if the
18 Receivership Entities have any additional potential creditors at this time. Attached
19 hereto as Exhibit C are copies of the Defendant FCI and Defendant ACorp investor
20 lists as provided by Defendant Brown.

21 The Complaint alleges that Defendant FCI and Defendant ACorp raised about
22 \$1.2 million and \$1.93 million, respectively from investors since 2011 and 2005,
23 respectively. The Receiver is in the process of reviewing and analyzing accounting
24 records (incomplete information provided to date) and bank records to determine the
25 exact amount raised from investors. The Defendant FCI and Defendant ACorp lists
26 provided indicate that there are currently approximately 40 and 150 investors,
27 respectively. As per the lists provided, the investors are located throughout the
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1 country as well as outside the United States, and have been notified of the
2 Receiver's appointment.

3 The Complaint also alleges that at least \$325,000 of cash was
4 misappropriated through withdrawals and \$972,867 of cash was misappropriated by
5 wiring said money to a Canadian-based health-food supplement distributor with no
6 apparent connection to the real estate business or to Defendant ACorp. The
7 Receiver is in the process of reviewing and analyzing accounting records
8 (incomplete information provided to date) and bank records to determine where the
9 funds raised from investors were paid and/or where the funds raised from investors
10 may be currently deposited.

11 **D. Employment of Counsel**

12 Receiver has retained the law firm of Sullivan, Hill, Lewin, Rez & Engel to
13 represent her in the receivership, with shareholder Christopher V. Hawkins serving
14 as the lead counsel. The firm regularly represents court-appointed fiduciaries in a
15 variety of contexts, including receivers in both Federal and State courts. Mr.
16 Hawkins' hourly rate is \$375. The firm has agreed to discount its rates by 10
17 percent, and to a blended rate not to exceed \$360 per hour. The firm has performed
18 a conflicts check of its records, and confirmed that it has no conflict with any of the
19 parties herein.

20 Section VII(C) and (G) of the TRO authorizes Receiver to employ counsel.
21 Given that authority, and Receiver's desire to minimize receivership expenses,
22 Receiver has not brought a formal application to employ counsel. Should the Court
23 or the parties request one, she will do so.

24 **E. Websites**

25 The Receiver has directed all known websites of Defendant FCI and
26 Defendant ACorp to the Receiver's own website for this case, to prevent any further
27 solicitation of potential or current investors via said websites.

28

1 **B. Ongoing Defendant FCI and Defendant ACorp Activity in**
2 **Violation of the Injunction**

3 The Injunction provides that no officer, agent, servant, employee or attorney
4 of Defendant FCI and Defendant ACorp, and their subsidiaries and affiliates, shall
5 take any action or purport to take any action, in the name of or on behalf of
6 Defendant FCI and Defendant ACorp, and their subsidiaries and affiliates, without
7 the written consent of the Receiver or order of this Court. TRO, XI.

8 The Receiver has evidence of continuing business by Defendant FCI. FedEx
9 records indicate packages were sent and received (on Defendant FCI's FedEx
10 account) by not only various individuals purporting to act on behalf of Defendant
11 FCI, but also from 'Investor Relations' and 'Escrow Departments' of Defendant
12 "ACORP Enterprises, Inc." and Defendant "First Choice Investment, Inc." Further,
13 subsequent to entry of the Injunction, several individuals appear to be acting on
14 behalf of Defendant FCI as well as BHI, and packages appear to have been sent
15 from Defendant FCI to BHI. Attached hereto as Exhibit F is a copy of a Defendant
16 FCI FedEx bill reflecting certain of the aforementioned.

17 On March 8, 2013, a package was sent by an individual using Defendant
18 FCI's FedEx account. It had an original address of 409 N. Pacific Coast Hwy,
19 Redondo Beach, CA 90277; however, the package was delivered to First Choice
20 Energy Partners on March 9, 2013 at Defendant Brown's residential address, and an
21 "Address Correction" fee of \$12 assessed. Someone appeared to divert it to
22 Defendant Brown's home. Also attached hereto as Exhibit F is a copy of the FedEx
23 documentation reflecting same.

24 The Receiver also has documentation regarding continuing business by
25 Defendant ACorp as evidenced by receipt of an email which included an invoice
26 from PFS Investments to a prospective investor (also a current Defendant ACorp
27 investor), purporting to represent the sale of "ACORP" securities at a price of \$.50
28 per share. This invoice is dated April 9, 2013 and is attached hereto as Exhibit G.

1 The Receiver has requested from Defendant Brown copies of contents of the
2 packages sent/received, and has repeatedly asked for contact information for the
3 numerous individuals and/or companies who (records show) either have purported
4 to represent, have received payments from and/or who have sent/received packages
5 on behalf of Defendant FCI and/or Defendant ACorp. Defendant Brown has not to
6 date responded to the numerous inquiries, other than invoking his Fifth Amendment
7 right against self-incrimination. If the Receiver has been able to obtain actual
8 contact information through the records obtained for the individuals and/or
9 companies, the Receiver has served the Injunction on said individuals and/or
10 companies.

11 **C. Books and Records of the Receivership Entities**

12 Defendant Brown's residence appears to be the primary repository of the
13 business documents and records relating to the Receivership Entities. Most of the
14 records there, however, were old; current records were seemingly scarce. The
15 newly discovered Premises in Beverly Hills appeared to be a call-center of sorts,
16 with 10 work stations, each with a computer and phone and some with prospect
17 sheets and telephone solicitation scripts, sample copies of which are attached hereto.

18 Pursuant to Section XVII of the TRO, Defendants are ordered and
19 temporarily restrained and enjoined from destroying, altering or otherwise disposing
20 of books, records, emails, etc. In reviewing the Receivership Entity email accounts
21 provided by Defendant Brown, the Receiver has witnessed deletion of emails. Upon
22 receipt of Defendant Brown's email address and passwords, Defendant Brown's
23 purported personal email account contained no email history. As the Receiver has
24 sent emails to Defendant Brown requesting certain information, the Receiver,
25 through an associate, has witnessed the email coming into the account and shortly
26 thereafter, the email being deleted.

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1 financial institutions who have received Defendant FCI and Defendant ACorp
2 funds.

3 **B. Receivership Asset Recovery Efforts**

4 As additional documentary evidence is acquired, the Receiver will seek to
5 locate any presently unaccounted for receivership assets that may exist. If and when
6 such assets are located, the Receiver will proceed with recovery efforts, including
7 seeking relief from the Court against third parties who refuse to comply with the
8 turnover requirements of the Injunction.

9 **C. Accounting**

10 The Receiver will continue to pursue the accounting records from the various
11 sources identified (the Receiver is currently aware of three separate accounting
12 firms which have been involved with Defendant FCI and Defendant ACorp) and
13 complete her accounting to establish, among other things, the sources and uses of
14 the Defendant FCI and Defendant ACorp funds.

15 One of the accountants from whom the Receiver has received certain
16 accounting records did provide documentation and a statement that 2012 1099
17 Interest forms were prepared for 22 Defendant FCI investors based upon source data
18 provided to him by Defendant Brown.

19 **D. Reporting**

20 The Receiver intends to file further reports on her activities and findings on a
21 quarterly basis (with the next report after the expiration of the second quarter of
22 2013), or as otherwise directed by the Court. In the Receiver's experience, filing
23 reports on a quarterly basis strikes a good balance between (a) keeping the Court
24 and interested parties informed about the Receiver's activities, and (b) minimizing
25 administrative expenses. However, the Receiver will file a report reflecting her
26 Accounting as described in Section C above as soon as practicably possible. The
27 Receiver is working to submit that report within the next 30 days.

28

1 of action may be to bring these two entities into the receivership, so that those assets
2 are not dissipated.

3 Against that backdrop, Receiver respectfully requests that the Court instruct
4 her as to whether she is Receiver of First Choice Energy Partners, LP and Advanced
5 Concepts Enterprises, Inc. and their assets.

6 As between Defendant FCI and Defendant ACorp, on the one hand, and other
7 entities which appear affiliated, including First Choice Energy Partners LP also
8 known as First Choice Oil and Gas Energy, and Advanced Concepts Enterprises,
9 Inc., on the other hand, the Receiver has obtained documentation reflecting one or
10 more of the following:

11 (i) **Common ownership, officers, directors, employees or agents –**
12 corporate records for several entities, including Defendant FCI, First
13 Choice Energy Partners, LP, Advanced Concepts Enterprises, Inc., and
14 Defendant ACorp (NV and CA Corp), reflect common ownership,
15 officers and/or directors. Attached hereto as Exhibit H are sample
16 copies of Secretary of State screen shots for the aforementioned
17 entities. Several individuals appearing in Defendant FCI and
18 Defendant ACorp records also appear to have acted on behalf of several
19 of the other entities, including but not limited to First Choice Energy
20 Partners, LP also known as First Choice Oil and Gas Partners/Energy,
21 and BHI;

22 (ii) **Inter-company transfer of funds from/to Defendant FCI –**
23 Preliminary analysis of six (6) Chase bank accounts associated with the
24 name 'First Choice' reflects regular and material movement of funds
25 amongst the accounts listed in the Injunction. The flowchart attached
26 hereto as Exhibit I reflects a snapshot of only the online transfers
27 greater than \$10,000 (in the aggregate) and shows material online
28 transfers flowing to and from the bank accounts associated with the

1 various entities, including primarily Defendant FCI (including
2 Defendant FCI accounts on which a First Choice Energy Partners DBA
3 was added in December 2011), Advanced Concepts Enterprises, Inc.,
4 and First Choice Energy Partners, LP;

5 (iii) **Shared office space** – as previously discussed, through monitoring of
6 mail as per the authorities granted in the Injunction, the Receiver
7 discovered an additional Defendant FCI office located at 8383 Wilshire
8 Blvd., Suite 342, Beverly Hills, California 90211, which office
9 Defendant Brown denied existed – despite his having signed the lease
10 on behalf of Defendant FCI in September 2012. Receiver found mail
11 addressed to Defendant FCI in the office. Among the computers and
12 phones found in this office location are what appear to be call scripts,
13 with handwritten notes referencing various entities, including “First
14 Choice Investment, Inc.”, “First Choice Energy Partners”, “Beverly
15 Hills Investments” and “Network Plus”. Also found were ‘Draft
16 Pitches’ with handwritten notes changing “Chase Bank” to “Wells
17 Fargo.” Defendant Brown – or someone conducting business in the
18 name of Defendant FCI – appears to be simply changing the names of
19 the entities through which Defendant Brown and/or his affiliates
20 conduct business. A computer box addressed to Defendant Brown at
21 his personal residence was also located in this office.

22 (iv) **Shared mailing addresses** – Mail retrieved at the 409 N. Pacific Coast
23 Highway Suite 700, Redondo Beach, CA has been addressed to not
24 only Defendant FCI and Defendant ACorp but also to non-defendant
25 “First Choice Oil and Gas Energy Partners”, “Advanced Concepts”,
26 “First Choice Energy Partners”, “Advanced Asset Solution, Inc.”,
27 “First Choice Energy, Inc.” The garage at Defendant Brown’s
28 residence contained large amounts of mail addressed not only to

1 Defendant FCI and Defendant ACorp but also to “First Choice Oil and
2 Gas Energy Partners” and “Advanced Concepts Enterprises” and
3 several name variations thereof. Defendant’s FCI FedEx account
4 records, subsequent to entry of the TRO, reflect packages addressed to
5 and from “Investor Relations, First Choice Energy Partners” under
6 Defendant Brown’s residential address.

- 7 (v) **Shared and continued activity on a Defendant FCI shipping**
8 **account** – Defendant FCI’s FedEx account records reflect packages
9 were sent to and/or received by Defendant FCI and several individuals
10 who also appear to be affiliated with Defendant FCI, *after* the TRO was
11 served on Defendants. FedEx records indicate that several packages
12 were sent on *Defendant FCI’s FedEx* account to/from First Choice
13 Energy Partners (Investor Relations), First Choice Oil & Gas Energy,
14 and Defendant ACORP Enterprises Inc. (Investor Relations).

15
16 An affiliation with Beverly Hills Investments appears to also be a
17 common theme with several packages. For example, on March 15,
18 2013, a FedEx Envelope was sent from Frank Zabatzky of “First
19 Choice Investment, Inc.” to *John W Powell* of Beverly Hills
20 Investments (from a 11378 zip code). On March 14, 2013, *John W*
21 *Powell* of “First Choice Investment Inc.” sent a package to Flushing
22 NY (from zip code 90232). Michael Lloyd sent a package on behalf of
23 “First Choice Investment Inc.” to John Astengo of Beverly Hills
24 Investments; Michnel (note typo) Lloyd also received a package at a
25 residence in Tennessee from John Astengo of “First Choice Investment,
26 Inc.” Al (or Alan) Bernard received packages on behalf of Beverly
27 Hills Investments. Preliminary review of Defendant FCI’s financial
28 and bank records also show numerous and material payments to Al (or

1 Alan) Bernard. Preliminary review of Defendant FCI's financial and
2 bank records also reflect Mr. Bernard's signature on numerous checks
3 written on a Defendant FCI account, including checks written to
4 himself. Mr. Bernard also appears to have signed a check written to
5 Mr. John Powell on the same Defendant FCI account. Sample copies
6 of said checks are attached hereto as Exhibit J. The Beverly Hills
7 Investments address reflected in said FedEx records is 8383 Wilshire
8 Blvd Suite 342, Beverly Hills CA 90211, the Defendant FCI office
9 location discovered subsequent to the initial takeover.

10
11 On March 22, 2013, Katherine Brown of "First Choice Investment,
12 Inc." sent a package to "Alvin Brown" at Defendant Brown's home
13 address. The Receiver also discovered records of one package
14 originally shipped on March 8, 2013 to 409 N Pacific Coast Hwy.,
15 which appears to have somehow been re-routed to Defendant Brown's
16 home address for delivery on March 9, 2013.

17 (vi) **Common fictitious business and entity names** – three (3) Chase bank
18 accounts originally opened in the name (and EIN) of Defendant FCI in
19 February 2011 were revised to add a DBA of First Choice Energy
20 Partners on or about December 2011. Attached hereto as Exhibit K are
21 sample statements for November and December 2011 for one of the
22 three accounts. A telephone service provider has also advised the
23 Receiver that the account holder name was changed by Defendant
24 Brown from Defendant FCI to First Choice Energy Partners in
25 September of 2011. Attached hereto as Exhibit L is a copy of the name
26 change addendum executed by Defendant Brown.

27 The Receiver also has evidence of continuing business by Defendant ACorp.
28 The Receiver has obtained an invoice from PFS Investments sent via email to a

1 prospective investor (and current Defendant ACorp investor), purporting to sell
2 “ACORP” securities at a price of \$.50 per share. This invoice is dated April 9, 2013
3 and was attached hereto as Exhibit G.

4 Based upon logistics records, call scripts obtained and preliminary bank record
5 review, it appears to the Receiver that Defendant Brown, employees and/or agents
6 of Defendant FCI may be continuing the solicitation of investors through First
7 Choice Energy Partners also known as First Choice Oil and Gas Energy/Partners,
8 and/or Beverly Hills Investments. Further, based on preliminary financial and bank
9 record review, it appears material funds have been transferred between Defendant
10 FCI, Advanced Concepts Enterprises, Inc. and First Choice Energy Partners, LP
11 accounts.

12 As a result of the aforementioned, the Receiver respectfully requests
13 additional instructions from the Court regarding the scope of her authority with
14 respect to First Choice Energy Partners, LP also known as First Choice Oil and Gas
15 Energy/Partners and Advanced Concepts Enterprises, Inc., by either (i) entering one
16 of the two proposed orders submitted concurrently herewith, or (ii) by setting a
17 status conference at which the issues can be addressed.

18 IX. SERVICE OF THIS REPORT

19 Local Rule 66-7(c) provides that “[t]he receiver shall give notice by mail to
20 all parties to the action and to all known creditors of the defendant of the time and
21 place for hearing of... [r]eports of the receiver...” At present, no hearing has been
22 set in connection with this report. Accordingly, Local Rule 66-7(c) does not apply,
23 and Receiver has not served copies of the report on all creditors.

24 In the event that the Court enters Receiver’s proposed Order to Show Cause,
25 or sets a status conference on the matter, then Local Rule 66-7(c) will apply. In
26 such event, Receiver requests that the Court waive the requirements of Local Rule
27 66-7(c). As described above, the receivership estate contains very little funds, and
28 could easily wind up administratively insolvent. As also described above, Receiver

1 provided each known investor in the Receivership Entities with a notice of the
2 receivership via regular mail, in order to be cost-effective. The notice directed
3 investors to Receiver's own website, www.ethreadvisors.com, which includes a tab
4 for this case and will serve as a cost-effective means of disseminating information
5 about the case and the receivership to investors. Both this report and any order or
6 hearing notice in connection therewith will be posted on the website. The Receiver
7 directs creditors who contact her to the website for additional information. Given
8 those facts, the Receiver does not believe that the expense of an all-creditors mailing
9 is warranted.

10 **X. CONCLUSION**

11 Based on the Receiver's preliminary investigation as described above, the
12 Receiver recommends, despite current limited financial resources, that the
13 receivership continue pursuant to the Injunction, and that the Court issue additional
14 instructions regarding the scope of her authority with respect to affiliated entities
15 noted above, by either (i) entering one of the two proposed orders submitted
16 concurrently herewith, or (ii) by setting a status conference at which the issues can
17 be addressed.

18 Dated: May 3, 2013

19 By: 
Krista Freitag, Receiver

20
21 Dated: May 3, 2013

SULLIVAN HILL LEWIN REZ &
ENGEL

22
23
24 By: /s/ Christopher V. Hawkins
CHRISTOPHER V. HAWKINS
Attorneys for Court-appointed
Receiver
KRISTA FREITAG